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File Personnel-17

Honorable Morgan F. Murphy, Chairman
Subcommittee on Legislation
Permanent Select Committee on
Intelligence
House of Representatives
Washington, D. C. 20515

31 OCT 1977

Dear Mr. Chairman:

Enclosed (Tab A) are the responses to the sets of questions that you referred to during the hearing on our Retirement Act before your Subcommittee. The questions and answers are individually noted as (U), Unclassified; or classified as (S), Secret; or (C), Confidential.

Also enclosed (Tab B) per your request is a statement concerning payment for hazardous duty and (Tab C) a copy of the last audit of the Agency's retirement fund.

You also requested a copy of any medical study done on adverse effects of service in the operational cadre. No overall study exists which we can provide; however, there are numerous individual case studies. These studies support the medical view that such service over extended periods has a debilitating effect on one's health. As a result, the members of the cadre are examined periodically by our staff doctors. This allows continual awareness of any problems by carefully studying individual medical case histories.

The unclassified questions and answers in Tab A and the statement on hazardous pay, Tab B, may be included in the open transcript. I will be happy to provide the Subcommittee any further information deemed necessary.

Sincerely,

/s/John F. Blake

John F. Blake
Acting Deputy Director

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Enclosures

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ANSWERS TO QUESTIONS IN GROUP A

1. (U) For purposes of the record, how many employees - both Civil Service and CIARDS - are presently at the Agency?

(S) As of 30 September 1977, the number of persons in the Agency was [REDACTED]

2. (U) Of these, how many currently participate in CIARDS?

(S) There are currently [REDACTED] participants in CIARDS.

3. (U) Of that number, what does your review of CIARDS participants in light of the change you contemplate making in actual qualifying service show? That is, how many CIARDS participants would not currently qualify as participants if the new regulation requiring 60 months of qualifying service were presently in effect?

(S) [REDACTED] of current participants, do not have 60 months.

4. (U) In connection with the above, when do you contemplate that the 60-month requirement as well as other changes will be promulgated as revised regulation H.R. [REDACTED]

(U) This will be promulgated in regulation before the end of this year, possibly within the next month. In any event, employees have already been advised of this policy change by way of a Headquarters Notice issued in January of 1977.

5. (U) As a general rule, how often are the CIARDS regulations re-examined or revised? Who has the responsibility for this? How is this process coordinated?

(U) The regulations are revised as often as necessary, and the impetus for revisions could come from various sources such as changes in public law,

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revisions of Agency policy, findings of the Inspector General, or advice from General Counsel. The Director of Personnel has the responsibility. The process of effecting revisions involves coordination with all the Offices of the Agency which have a substantive responsibility in the issue of the moment and also with each Directorate.

6. (U) As an example, why has it taken almost two years to revise Section (r) (3) of H.R. [REDACTED] dealing with the garnishment of funds?

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(U) Based upon oral advice of the Civil Service Commission, the Agency promptly began implementing the new Federal law permitting garnishment of Federal pay and annuities. However, in view of the provisions of Executive Order 11881 the Agency has delayed issuing formal regulations. Executive Order 11881 empowered the Civil Service Commission, in conjunction with the Department of Justice, to issue regulations for the implementation of the law. Section 3 of the Executive Order stated that "each executive agency shall issue such rules, regulations and directives pursuant to and in accordance with those issued by the Civil Service Commission pursuant to this Order, as are necessary to implement the regulations of the Civil Service Commission." In April 1977 the Civil Service Commission proposed draft regulations but to date final regulations have not been issued.

7. (C) Going back to the numbers of CIARDS participants, do your figures reflect contract or proprietary employees as well as CIA employees? What are the numbers here?

(C) The figures for the CIARDS participants included 26 contract employees. Proprietary hires are not participants in CIARDS because they are not employees of the United States Government.

8. (U) Of the CIARDS participants that you have enumerated for us, how many actually serve in the Directorate of Operations?

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(S) Currently [REDACTED]

9. (U) Do analysts participate in CIARDS? How many?

(C) CIARDS was not designed to cover employees engaged purely in analysis. There have been some occasions, however, in which analysts have been assigned overseas. Our large-scale involvement in Vietnam, for

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example, required support of some analysts, and they were sent there for duty. Over a period of time, therefore, some analysts were able to complete five years overseas and thus qualify for CIARDS. In addition, some individuals, careerists in the Directorate of Operations, qualified for CIARDS and later transferred to the Directorate of Intelligence and became analysts. The total number of analysts in CIARDS is currently 35.

10. (U) In Mr. Ruddock's 1977 report, on page 26, he refers to "Non-staff." Who are these people?

(U) Mr. Ruddock's reference to "Non-staff" personnel was intended to mean contract personnel.

11. (U) The figures submitted in your testimony today reflect an average retirement age under CIARDS of 51 and, under Civil Service, of 53.9 for the most recent period. In fact the difference between the two average retirement ages usually falls in and around the average of 3 years no matter what fiscal period you're speaking of. These statistics seem to suggest that, given the opportunity to retire early, people will do so without being otherwise induced. If this is true, why do you need a mandatory retirement age at age 60? Before you answer this, please phrase your answer in light of the ability the DCI has under CIARDS and the National Security Act to involuntarily retire someone at almost any time.

(U) As stated by Mr. Blake in his testimony before the Committee, the presence of a mandatory retirement age has had the effect of influencing employees to retire voluntarily at lower ages while still young enough to be competitive in the labor market as they search for other employment. It should be noted that until recently the Agency had also a mandatory retirement age of 65 for employees covered by the Civil Service Retirement Act and that earlier this age was 60. This accounts for the similarity of average ages of retirees in both Systems. Mr. Blake also noted that the Agency has eliminated the mandatory age of 65 for employees covered by Civil Service retirement. We can now predict that the disparity between the average ages of retirement under the Civil Service and CIARDS Systems will increase.

Mr. Blake noted that the CIARDS mandatory retirement age is a vital feature of the management of the Agency's operational cadre because it provides

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managers with the ability to project and predict retirement, influences voluntary retirements at earlier ages, avoids the aging of the operational cadre, permits a flow-through of new employees who can fit cover requirements and who are not identified to opposition services, effects drain-off at the upper grades thus improving opportunities for career development and promotions of younger officers, and of meeting reduced personnel ceilings.

While it is true that the Director, both under CIARDS and the National Security Act, can involuntarily separate employees, the use of involuntary retirement to resolve the problems noted above would have serious implications for the operational cadre and their morale.

12. (U) The justifications that have been cited for CIARDS include consistent reference to a young, active, physically resilient and adaptable corps of operatives. Several questions occur to me in connection with this assertion. Are you saying that none of your operatives is over 50? 55? 60? Does the CIA experience any present and significant problem in attracting good recruits? At what ages do you recruit?

(U) We are not saying that we do not have or do not need operatives over 50. Nevertheless, we must keep the operational cadre young, active and resilient for the reasons stated by Mr. Blake in his testimony. The Agency has not had any problem in attracting good recruits. We recruit on the basis of skills and potential for service in the operational cadre rather than on age.

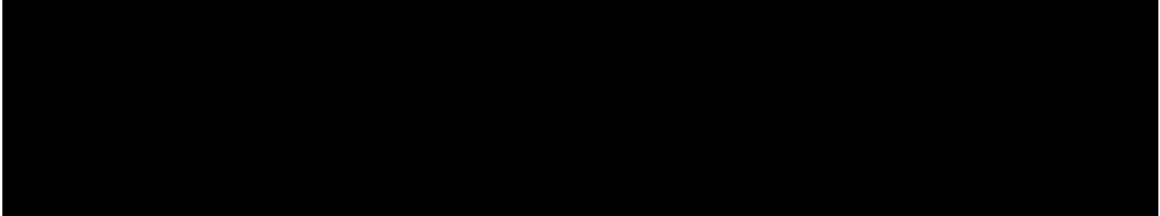
13. (U) Is it really true that only younger people can be fit into the kinds of cover jobs your agents hold overseas? If yes - isn't this in itself a tip-off to the other side as to their probable identity?

(U) It is not true that only younger people can fit into cover jobs overseas. There is a limited number of cover slots which can accommodate older officers, but most cover slots are geared to younger officers. The mix of younger to older officers, cover discipline and other techniques contribute to a blending of officers into appropriate cover slots, thus making it difficult for the opposition to pinpoint which persons, younger or older, are Agency employees.

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14. (U) What is the average age of your agents abroad today? What was the average age in 1964? Has there been a change? Breaking it down further - what is the average age of the actual operations people versus the administrative people overseas? What about supervisory or control people? Heads of station?



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15. (U) As to domestic service which you feel constitutes qualifying service for CIARDS, what is the average age here? If you can't give an exact figure, does this average age come closer to 60 than 50?

(U) Average age 52 when put into the System.

16. (U) The phrase "tradecraft" is used in section b(11)(c) of H.R. [REDACTED] What does it mean?

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(U) Mr. Blake provided a definition of "tradecraft" in his testimony.

17. (U) The practice of tradecraft seems to have figured in a number of those cases where domestic service was considered qualifying service for CIARDS. Were these individuals in any distinct age group?

(U) No.

18. (U) The thrust of these past few questions - as you no doubt have ascertained - has been to examine whether it is agility and other physical powers that are important for an operating agent, or whether stealth and excellence in securing necessary intelligence are the actual test of an agent's worth to the CIA. Is age always a factor here? If it is, how do you know that it is?

(U) Members of the operational cadre perform a variety of functions ranging from clandestine support to clandestine operations. To the extent that agility, physical powers and stamina are related to age, age is a factor. These activities put a premium on physical

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stamina and agility. Members engaged in clandestine support or in operations must be of ages that enable them to blend into their cover situations and at the same time be endowed with the stamina and vigor necessary to withstand the pressures of living a double life, often in dangerous and hostile environments.

19. (U) Going further, is the CIA presently satisfied with the overall abilities - not productivity necessarily - of its agents? How can CIARDS bring about any improvement, if such is needed? Are there any suggestions you have which would bring in a different sort of recruit than the one you now bring on board?

(U) Yes. The maintenance of the high level of capability found among the employees therein is a function of careful screening and recruitment and training rather than a function of CIARDS itself. CIARDS later assists in the eventual removal from the service of those persons who for various reasons should retire or be retired. We have no basis for believing that we should bring in a different type of recruit from that which we have recruited in the past.

20. (U) What was the average span of service for CIARDS retirees in 1977? In 1970? Over the 13-year history of the System? How did this compare to that of all other Agency employees during those periods? Does the Agency plan to ask the President to provide by executive order that CIARDS retirees may earn as much as 80% of their high three years' salary, as Civil Service retirees may?

(U) The average span of service for CIARDS retirees in FY-1977 was 27.7 years; in 1970 it was 26.2 years; and over the 13-year period was 26.6 years. For our retirees under the Civil Service Retirement System the average span of service for 1977 retirees was 27.5 years; in 1970 it was 24.4 years; and in 1965 it was 22.2 years. We are unable to recover data on Civil Service retirees for the 13-year period. (The average service given here includes military service.)

We do not plan to seek a change of the limitation on CIARDS annuities from 70% to 80% as this would be inconsistent with the concept of early retirement.

21. (S) Qualifying service for designation as a participant in CIARDS is described as service

". . . (i) in support of Agency activities abroad hazardous to life and health or (ii) so specialized because of security

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figures quoted in the question, there still remain Agency activities of other types, such as espionage and clandestine collection.

- 25X9 25. (U) How will the [REDACTED] person reduction in manpower announced recently by Admiral Turner be accomplished? Will CIARDS participants be involved? If so, how many? Has the Retirement Board seen an increase in the number of participants as a result of this announcement?

(U) The reduction of [REDACTED] employees from the Directorate of Operations will take place over the span of two fiscal years and will be accomplished by a combination of anticipated attrition, involuntary termination and retirements.

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The Directorate has redefined current and future missions and will reorganize its Headquarters elements accordingly. Next, all personnel at each grade will be reviewed to consider their skills, abilities and potential in relation to future missions and the reorganized structure. Those employees who will not be needed and who are not expected to leave by way of normal attrition (resignation and retirement) will be terminated involuntarily but only if a suitable assignment cannot be located elsewhere in the Agency.

We expect that some participants in CIARDS will be involved, but the exact number is not known at this time. The actual number will be furnished to the Committee at a later date. In this connection, the Director, has stated that he will not relax the stringent application of the criteria for participation in CIARDS.

26. (U) How is the Retirement Board constituted? Who are its members and what has been the average term of service of its members? Are deputies ever sent in place of members? What has been the grade of the average member? How many CIARDS participants sit on the Board?

(U) The Retirement Board is composed of a Chairman and four other voting members in addition to a Finance Advisor, a Technical Advisor, a Legal Advisor and an Executive Secretary. There are also four alternates.

The current Chairman of the Board is the Deputy Director of Personnel. The other four principal members represent the major Directorates of the Agency.

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All of the principal members and their alternates are senior personnel in the GS-16 to GS-18 grade range. The average term of the current members of the Board is 4 years and 6 months. The average term of all members of the Board over the past 12-1/2 years is 3 years and 5 months.

In the absence of the principal member, the alternate attends the meeting.

The average grade of the members of the Board throughout this 12-1/2 year period is GS-17. The current Board is composed of: principal members, two GS-18's and three GS-17's; alternate members, one GS-18, one GS-17, and two GS-16's.

Of those on the current Board, four principal members and two alternates are participants in CIARDS. The Chairman and two of the alternates are under the Civil Service Retirement System.

27. (U) How does the Board go about deciding cases that come before it? Do the members - other than the Chairman - have an institutional memory of cases that the Board has decided in the past? If so, how do they acquire or refer back to such cases?

(U) Prior to each Board meeting the members and advisors are provided with the papers submitted by the employee seeking approval of periods of domestic service as qualifying service. In addition to these papers, there is usually a submission from the employee's supervisor, office head or someone who is knowledgeable of the facts in the case. The Board then discusses the merits of the case, taking into consideration the criteria specified in the regulation and the history of other such similar cases. In many cases the Board asks the employee to appear to testify regarding his/her claimed service; occasionally expert witnesses are invited to testify regarding their particular fields as applied to the claimed service.

Based on the information obtained from all sources and the Board's knowledge of other such cases, the Board arrives at a conclusion as to whether this service meets the criteria specified in the regulation. If the Board reaches an affirmative conclusion, this conclusion is then presented to the Director of Personnel

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in the form of a recommendation. The Director of Personnel has final approving authority.

In those cases where the Board concludes that the service is not qualifying, the employee is advised of the Board's tentative conclusion and is given the opportunity to submit additional information, either in writing or orally before the Board. The Board then again meets on the case to consider the additional information. If, after considering this additional information, the Board still concludes that the claimed service is not qualifying, a recommendation for disapproval of the case is submitted to the Director of Personnel. The employee is then notified by the Director of Personnel of his disapproval of the case and of the employee's right to appeal the decision to the Director of Central Intelligence. By Agency regulation, all appeals are received by the Inspector General who will make an independent investigation and recommendation to the Director.

One of the current members of the Board has been a member since the inception of the Board in 1965. Members and alternates are provided with a Policy Book which details the major policies approved over the years. In addition, a codification of all cases is maintained by the Executive Secretary, who has been in this position for 11 years, and the updated information contained in this file is provided for each Board member's use. As the need arises in consideration of a specific case, the Executive Secretary provides samples of other such cases, which include the conclusions reached by the prior Board. One member has been on the Board for more than 12 years and the Executive Secretary has been with the Board for 11 years; two other members have more than four years of service. These individuals have accumulated a knowledge of most of the types of cases which have been and are now being submitted for adjudication and can provide the other members with a historical background of the types of decisions reached.

28. (U) A number of CIARDS participants with some domestic service have been held to have qualified - in whole or part - by virtue of that service since the System was authorized. The regulations make reference to several types of domestic

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service which are qualifying:

- (1) that which "requires a substantial risk to life or health of the employee,
- (2) that which "requires the continued practice of tradecraft under conditions of most stringent security for the purpose of maintaining personal cover in support of Agency activities and
- (3) that which "when retirement is imminent, is adjudged to have been so sensitive or so specialized that security requirements forbid disclosure of this duty, and that, as a result, it is unlikely the employee will be able to obtain employment for which he is otherwise qualified."

As to the first category of service, why is it not related to the conduct of operations abroad, as in the language of the statute? Or is it meant to qualify under that language of the statute which refers to duties "clearly distinguishable from normal government employment"?

Under which of the two categories in the statute does the "tradecraft" provision fall? If the first, must not these activities be related to the conduct of operations abroad and be hazardous to health? If the second, is all "tradecraft" activity "clearly distinguishable from normal government employment"? Do you - ought you - to apply the "resume test" to tradecraft employees?

Finally, what about the resume test embodied in Sections [REDACTED]? What questions do you ask to make this determination? Do you look to see if there are jobs outside CIA that fit the skills your people have learned? Or do you decide on the basis of what a retiree would be allowed to put in his/her resume? What if you were a bodyguard or armed courier? Perhaps you can't say what or whom you guarded, but does that mean you can't get a job as a bodyguard outside government? Lastly, doesn't the language in b(11)(d) constitute a conclusion? Isn't the determination of when retirement is imminent a factor of whether a person qualifies for CIARDS?

(U) It has been understood that in order to be qualifying, hazardous duty had to be related to the conduct or support of operations abroad. To reassure

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the Committee, we are including the phrase "in support of Agency activities abroad" to this criterion in our forthcoming revision of the regulation.

The element of tradecraft falls under the second of the statutory criteria, namely that specifying activity "clearly distinguishable from normal government employment." It is not necessary to apply the "resume test" to employees who qualify on the basis of tradecraft.

The "resume test" is used to identify service that is clearly distinguishable from normal Federal employment but which does not require the practice of tradecraft. While sensitivity alone is not justification for participation in CIARDS, there are a few limited types of activities that are peculiar only to this Agency and thus to normal Federal employment and which are not, as already indicated, covered under the criteria relating to tradecraft.

The "resume test" is a technique used by the Board to determine whether a prospective retiree can describe sufficient portions of his Agency employment to prospective employers in order to obtain post-retirement employment. There have been a few cases in which participation in CIARDS was granted on the basis of this criterion. In applying this technique, the Board reviews the individual's overall employment record to determine what portion can be publicly acknowledged.

The fact that the employment history of an individual did not prepare him for positions in the private sector, or that there is an absence in the private sector of jobs that relate to his Agency employment, would not be considered by the Board in determining whether the individual should be put in CIARDS. The only factor which the Board considers is whether the employee is unable, because of security requirements, to include in his resume a description of his skills and experiences which would allow a prospective employer to make a hiring decision. Thus, a bodyguard or armed courier is able to describe sufficiently the nature of his work and would not, therefore, qualify under this criterion.

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It is only when retirement is imminent that the resume test is applied, because only at that point can the Board judge the effect of security requirements on the prospective retiree's search for post-retirement employment.

29. (U) To implement the regulations as they apply to domestic service for CIARDS, the Agency has recently published an employee bulletin. Was there any published document that predated this July 1977 bulletin? If not, how did the Retirement Board justify and coordinate its decisions? Do you have plans to write formal guidelines or expand your regulations in this direction?

(U) In June of 1977, the Agency published an Employee Bulletin advising employees that examples of domestic service which had been judged qualifying and examples which had been judged non-qualifying under CIARDS had been sent to the five principal Career Service Offices in the Agency. The Bulletin itself did not specify these examples but did advise employees of the availability of these examples in their respective Career Service Offices. No document pertaining solely to domestic qualifying service had been published prior to June 1977; however, copies of the regulation on CIARDS are widely available throughout the Agency and have been since the inception of CIARDS.

The Retirement Board has a variety of guidance for its actions and decisions. In addition to the regulations and the basic law, the Board makes reference to a codification of prior decisions and precedent cases and a digest of previous cases by types of service approved and disapproved. In addition, guidance has been obtained from the Director. We will continue to develop additional guidelines and to expand the regulations as required.

30. (U) Summaries of domestic service found to be qualifying service for CIARDS suggest various activities and proceedings in this country which concerns this Committee greatly. Beyond the provisions of Section O(5) of H.R. [REDACTED] dealing with certain criminal offenses, what policies, if any, exist at the Agency towards actions which otherwise raise the specter of illegality of impropriety?

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(U) [REDACTED] answered this question in his testimony.

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31. (U) Finally, what does CIARDS cost the Federal government yearly? What were the appropriated amounts necessary to meet unfunded liability, interest and current obligations in the most recent fiscal year for which figures are available? Would there be any comparable expenses if CIARDS retirees were covered as Civil Service retirees instead? Are there projections for the size of the annual appropriation that will be needed in years to come as CIARDS retirees continue to come on board at the rate in which they are now retiring?

(U) The direct cost of CIARDS to the Federal government is comprised of:

- (1) the Agency's direct cost of administration and
- (2) the annual appropriation to the fund

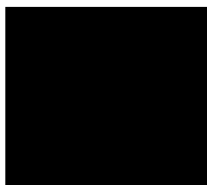
as authorized by PL 94-522. Direct administration costs are estimated at approximately [REDACTED] comprising salary cost of [REDACTED] people assigned wholly to the administration of CIARDS and an estimated annual computer cost of about \$25,000. This does not include the salary cost [REDACTED] of [REDACTED] people who support Civil Service and CIARDS retirement matters jointly whose services would be required regardless of whether a separate system is maintained for CIARDS.

The FY-1978 appropriation for CIARDS is [REDACTED]

If CIARDS participants were covered by the Civil Service System and their entitlements were continued unchanged, the appropriation for the Civil Service fund could be expected to increase by amounts corresponding to the appropriations required for CIARDS; correspondingly the administrative costs of the Civil Service Commission could be expected to increase but we have no way of determining the amount of the increase in relation to present Agency administrative costs.

The appropriation projections for fiscal years 1979-1982, prepared at the time of the FY-1978 budget request, were as follows:

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32. (U) Do you have any idea of what quotas you will request for CIARDS retirements from FY 79 - 84?

(U) We have no plans to request a quota after 30 June 1979.

33. (U) Returning to the question of the age of your agents - when you bring them home from overseas, do you do that because, and only until, their cover has been blown? Or do you bring them home or change them at regular intervals or tours of duty? What factors other than the ones I've just suggested influence these decisions?

(S) No. Employees are brought home from overseas for a variety of reasons ranging from the granting of home leave and return to post, assignment to Headquarters, assignment to other stations, for training courses, or for compelling family problems.

34. (U) Why can't you simply pay your agents more? Wouldn't that be cheaper than a CIARDS? Use the analogy of flight or hazardous pay in the military?

(U) The idea of substituting various types of special payments to employees who perform services that are hazardous or are clearly distinguishable from normal Government employment is contrary to the basic concept of CIARDS. CIARDS is not designed as a system for rewarding employees; it was designed as a tool to be used by the Agency for the management of the operational cadre. Mr. Ruddock made an especial point of this fact in his report of 1976, on page 31.

Establishing a system of special payments in lieu of CIARDS would deny the Agency the management features of CIARDS which Mr. Blake described in his prepared statement. Moreover, our judgment is that a system of special payments reflects the concept of paid mercenaries rather than a cadre of dedicated and committed professionals. We believe the morale of our CIARDS participants would suffer grievously if the recognition of not only their service but their dedication were to be in the form of outright payments rather than from a system that reflects a long-term, career and professional commitment.

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35. (U) In table 1, your figures suggest that nearly 45% of present retirees are CIARDS retirees. Isn't that disproportionate considering only a 30% CIARDS representation among your employees?

(S) We suggest the Committee not attempt to relate retirements under CIARDS to the percentage of CIARDS participation as a portion of Agency strength. There are a number of reasons why 45% of Agency retirees are under CIARDS although participation is generally limited to about 30% of the Agency personnel strength. Employees under CIARDS may, do, and must retire at ages earlier than are permitted under the Civil Service System. Consequently, there is a more rapid rate of retirement under CIARDS than under the Civil Service System. The age 60 requirement in CIARDS and the earlier age for voluntary retirement encourage retirements at ages earlier than ages that are found among our Civil Service employees.

36. (U) Also, table 4 shows that your retirees have higher grade averages than the Civil Service. Why is that?

(U) The average grade of CIARDS retirees is higher than that of our Civil Service retirees because there is a smaller number of lower-grade employees overseas. Agency employees under the Civil Service Retirement Act include large numbers of lower-grade workers such as couriers, payroll clerks, keypunch operators, mail and file clerks, etc., who are a part of the administrative infrastructure at Headquarters; the numbers of such personnel have the effect of keeping the average retirement grade low. The same situation does not exist overseas because the professional officers and supporting personnel assigned overseas are generally of higher grades.

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ANSWERS TO QUESTIONS IN GROUP B

1. (U) It appears that the Operations and Administrative Directorates provide the bulk of retirement in the current year. Has this always been the case? Why is the Intelligence Directorate so low? And the Administrative Directorate so high?

(S) It is true that the Directorates of Operations and Administration provide the bulk of retirements under CIARDS. Members of these two Directorates comprise the largest numbers of participants in CIARDS, and this has always been the case because they are the operational cadre referred to earlier. The Operations Directorate is heavily represented because the officers who engage in the various intelligence functions overseas are from that career service. Personnel in the Directorate of Administration are in CIARDS because this Directorate provides direct support to overseas operations; e.g., including communications, finance, logistics and security functions. Many domestic services, such as demolitions training and covert investigations, are performed by members of that same Directorate.

Personnel of the Intelligence Directorate (now known as the National Foreign Assessment Center) are not normally engaged in duties of the type that qualify for participation in CIARDS.

2. (S) In the tables provided, I note that table No. 1 states that the total retirement since the inception of CIARDS is [REDACTED] however, table No. 6 indicates only [REDACTED] quota spaces have been utilized during a comparable period. Please explain the difference.

(U) There is no conflict between the figures in these tables. The difference is that in CIARDS retirements for disability do not count against quota whereas all other types of retirements do.

Classified by: [REDACTED] 25X1A
Exempt from general declassification
schedule of E.O. 11652, exemption
category (2). Automatically
declassified on: Impossible to

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3. (U) What are the CIARDS dollar costs in FY 1978 and what do you estimate it will be in FY 1979?

(S) Total CIARDS dollar costs are estimated as follows for FY 78 and FY 79:

	<u>FY-78</u>	<u>FY-79</u>
Annuities to beneficiaries		
Refunds of employee contributions and transfers of employee/employer contributions to other retirement systems		
TOTAL COSTS		

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4. (U) For the current year, what is the average retirement age for CIARDS as compared to Civil Service retirement for the same period? What has been the trend in earlier years? How does the current year average compare with the FBI or State Department?

(U) For fiscal year 1977, which ended 30 September 1977, the average retirement age for CIARDS was 51.6 as compared with 55.1 for Civil Service. The trend in earlier years is shown from table No. 1 which was supplied by Mr. Blake. We have been advised by the State Department that while they do not have the figure for the fiscal year just ended, retirements under the Foreign Service System have been averaging around age 55. We have been advised by the Civil Service Commission that data on retirements for FY-77 have not yet been compiled and so are unable to give us the average retirement age in the FBI. In the general Civil Service, however, the average age for all retirements under that System in 1976 was 58.2 years.

5. (S) In Mr. Ruddock's August 1977 report, his table No. 1 compares CIARDS participation with overseas strength. For 1968 CIARDS was [REDACTED] with an overseas strength of [REDACTED]. The 1977 percentage for CIARDS was [REDACTED] with an overseas strength of [REDACTED]. The CIARDS participation has increased while the overseas strength has decreased. Please explain the CIARDS increase. What impact does this have on qualifications via domestic service?

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25X1A (S) The percentage of Agency employees in CIARDS and the percentage of Agency employees overseas at any one time are not identical. Many employees serve overseas but do not compile sufficient qualifying service to be eligible for CIARDS. In 1968, participants in CIARDS accounted for [REDACTED] of total Agency strength. While many of those participants were overseas, others were on duty in the United States. The figure of [REDACTED] of Agency strength overseas in that year includes CIARDS participants as well as employees who were not participants.

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25X1A Beginning in 1965, large numbers of Agency personnel were sent overseas, particularly to Vietnam [REDACTED] From that time on, therefore, large numbers of personnel began to qualify for CIARDS. This is the basic reason for the increase, shown in Mr. Ruddock's report, in CIARDS participation between 1968 and 1975. Many of those participants who entered the System during the period 1968-1975 have retired, thus starting the downward trend of participation. The Agency is now designating into CIARDS only those persons who have completed 60 months of qualifying service and is also gradually removing from the System those present participants who have not attained this level of qualifying service. These developments account for the decrease in CIARDS participation from the peak year of 1974.

Qualification based on domestic service is not affected.

6. (U) What kinds of temporary duties (TDY's) are considered creditable for qualifying service? Differentiate these types.

(U) All TDY's to foreign countries are creditable for qualifying service in CIARDS.

7. (S) What number or percentage of CIARDS designated employees have been injured, killed through intentional actions of a foreign nation?
- [REDACTED]

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8. (U) Please explain how the Director of the CIA works with the Board that evaluates qualifying service. Does the Director or the Board have final approval authority?

(U) While the Director does not work with the Board on a daily or case-by-case basis, he is involved with the administration of CIARDS in a managerial sense. He has received occasional briefings on various aspects of the System, he is directly involved in individual cases that are referred to him on appeal from the Board's action, he transmits the annual reports to the Congress, and he is involved in legislative proposals affecting CIARDS.

In the day-to-day operation of the System, the Director of Personnel has the authority for approving qualifying service.

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ANSWERS TO QUESTIONS IN GROUP C

1. What procedures are used in estimating requests for appropriations?

Appropriation requests for CIARDS have been based on an update of data used for the most recently completed Actuarial Evaluation as of 31 December 1973 prepared under the guidance of the U.S. Treasury Actuary.

2. What was the initial year CIARDS appropriations were made and what was authorized for FY-78?

An initial appropriation for CIARDS was made for FY-77 in the amount of [REDACTED]. The FY-78 appropriation is for [REDACTED].

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3. How did you arrive at the estimated levels required for CIARDS? Were these static or dynamic? What would be the impact upon 1978 and 1979?

As stated in the answer to Question 1, the appropriation estimates were based on an update of data used for the Actuarial Evaluation as of 31 December 1973, using static assumptions. A comparison of estimated appropriation requirements under static and dynamic assumptions, respectively, follows for fiscal years 1978 and 1979:

	<u>STATIC</u>	<u>DYNAMIC</u>
FY-78	[REDACTED]	[REDACTED]
FY-79	[REDACTED]	[REDACTED]

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4. What are your projected CIARDS outlays for FY-1978?

See our classified answer to Question No. 3 in Group B.

5. How much does it cost to support administration of CIARDS and who budgets for this support?

The annual cost of administration of CIARDS is estimated at approximately [REDACTED] comprising salary cost for [REDACTED] people assigned wholly to the administration of CIARDS and an estimated annual computer cost of about \$25,000. This does not include the salary cost [REDACTED] of [REDACTED] people who support Civil Service and CIARDS retirement matters jointly whose services would be required regardless of whether a system is maintained for CIARDS.

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ANSWERS TO QUESTIONS IN GROUP D

1. Would you please explain the functions and responsibilities of the CIA Retirement Board? How is the Director of CIA kept informed on the proceedings/findings of board actions? Who has the final approval authority on designation of participants and qualifying service? If final approval authority is not vested with the Director/Deputy Director, should it be?

The CIA Retirement Board assists and advises the Director of Personnel in the administration of the System, in acting upon applications for disability or voluntary retirement, in making recommendations to the Director for involuntary retirement, or any other matter pertaining to the administration of the System. On cases involving requests to credit domestic service, the Board considers each case on an individual basis and arrives at a conclusion as to whether this service meets one or more of the criteria specified in the regulation. This conclusion is then presented to the Director of Personnel in the form of a recommendation for approval or disapproval.

By occasional briefings or reports, by acting on appeals, by involvement in proposed legislation, by Ruddock's two annual reports.

The Director of Personnel; however, the Director acts on appeals.

It is not feasible for the Director to get involved in the normal, day-to-day administration and he has delegated authority to the Director of Personnel.

2. Briefly describe CIA procedures for periodic review of the eligibility of an employee to remain a participant in the System.

Prior to the change in the Agency's designation policy, employees were designated as participants in CIARDS:

After they had completed five years of Agency service if they had performed a minimum of 18 months of qualifying service; or

After 10 years of Agency service if they had performed a minimum of 36 months of qualifying service; or

After 15 years of Agency service if they had performed a minimum of 60 months of qualifying service.

The records of employees designated as participants prior to the completion of 15 years of Agency service were reviewed when the participants completed 10 or 15 years of Agency service to ensure that employees continued to meet qualifying service standards for the number of years of Agency service completed. If the review indicated minimum periods of qualifying service were no longer met, the employees were removed from CIARDS participation.

We have discontinued the practice of designating as participants in CIARDS those employees with 18 and 36 months of qualifying service. Employees must now complete a minimum of 60 months of qualifying service before they can be designated as participants in CIARDS.

Employees who are currently participants, but have completed less than 60 months of qualifying service, will be allowed to remain in CIARDS until their next regular review date. If they have not completed the required 60 months of qualifying service at that time, they will be removed from CIARDS. These reviews will continue until all participants with less than 60 months of qualifying service are either removed or attain permanent participation in CIARDS. This process will be completed within the next four years. It should be noted that participants with less than 60 months of qualifying service will not meet the criteria for retirement under the System.

3. Approximately what number or percentage of personnel considered are disapproved as participants?

Of those employees considered for participation on the basis of some period of domestic service, 29% were disapproved.

Under the earlier method used for designating participants, all employees who were 25 years of age and had completed at least five years of Agency service had been considered by their particular components for participation in CIARDS. These reviews were made by the components to determine if the employees had completed the required overseas service. If the required service had been performed, the employees were nominated for participation and the cases were adjudicated and presented to the CIA Retirement Board for approval. Of those employees considered by the components in these reviews over the years, approximately 70% were found to lack the required overseas service and were therefore informed that they did not meet the criteria for participation at that time of their career. Even after initial designation, employees were reviewed periodically to ensure that they continued to meet the prescribed periods of qualifying service; those who failed to satisfy the continuing requirements were removed from CIARDS.

From the inception of CIARDS, 252 participants were removed from CIARDS for failure to complete the required periods of qualifying service.

4. Under CIARDS the mandatory retirement age is 60? How many participants are presently serving beyond age 60?

The mandatory retirement age is 60 for GS-17's and below and 65 for GS-18's and above.

There are currently five participants who are serving beyond age 60. Two of these are GS-18's who have not yet attained mandatory retirement age (65). The other three were extended beyond their mandatory retirement age (60) on the basis of operational need for their services.

5. Please explain the procedures for involuntary retirement under CIARDS? How frequently is this procedure used?

Any participant who has completed at least 25 years of creditable service or who is age 50 and has completed 20 years' creditable service may be retired under the provision providing for involuntary retirement from the System.

A recommendation for involuntary retirement originates with the head of the participant's career service. The participant so recommended has recourse to established appeals procedures.

Four-hundred twenty-three (423) participants have been retired under this provision.

6. Computation of Annuities -

Please contrast the computation of annuities under CIARDS with that of ordinary Civil Service. Outside of earlier retirement privileges what is the \$ advantage for an employee of grade GS-15/25 years' service in CIARDS vs. an equivalency in CSR?

Footnote:

CIARDS - 2% of average basic salary for highest three consecutive years of service multiplied by the number of years not exceeding 35.

CSR - 1-1/2% of high three for first 5 years' service
1-3/4% of high three for second 5 years' service
2% of high three for over 10 years' service

To retire in Civil Service (ordinarily) requires

- (a) 30 years' service, age 55
- (b) 20 years' service, age 60
- (c) 5 years' service, age 62

ANSWER

Examples of different annuity rates:

	<u>Civil Service</u>	<u>CIARDS</u>
High-3 Salary	\$36,171 (GS-15)	\$36,171 (GS-15)
Length of Service	25 years	25 years
Basic Annuity/Age 50*	\$15,084*	\$18,086
Basic Annuity/Age 55	\$16,729	\$18,086

*Includes reduction for age

7. Assuming a need to seek methods/means to reduce costs of CIARDS, what methods would you apply?

The costs of administering CIARDS vary directly with the accumulation of qualifying service by the operational cadre. Any reductions in the costs of CIARDS would have to result from reductions in Agency activities that qualify employees for participation in CIARDS. The Agency does make a conscientious effort to control and minimize administrative costs. The only way we can see to reduce the cost of CIARDS would be a basic change in the statutory criteria dealing with qualifying service and retirement eligibility.

8. What would be the impact of a reduction of 10% in the number of authorized participants? An increase in mandatory retirement to age 65?

25X9 CIARDS participation will be reduced by more than 10% by the removal from the System of those [REDACTED] employees who have not yet completed 60 months of qualifying service. This reduction should not have any impact. Other than that, the number of participants who fully qualified for CIARDS could not be reduced other than by way of involuntary retirements.

Increasing the mandatory age to 65 would have a serious impact. By removing the influence on participants to retire voluntarily at earlier ages if they planned to work after age 60, this would result in an aging of the operational cadre. As Mr. Blake pointed out in his testimony, the alternative would be to resort to involuntary retirements in order to keep the operational cadre young, vigorous, adaptable and resilient. The use of involuntary retirement would have a deleterious effect on our efforts to recruit and maintain the calibre of persons we want in the operational cadre.

We believe that increasing the mandatory retirement age to 65 would also bring increased pressure to change the limitation on CIARDS annuities from a maximum of 70% to 80%. While such pressure would be consistent with raising the mandatory age, it would tend to complicate further the management of the manpower in the operational cadre.

9. Is the Agency satisfied that the regulations and standards for qualification/participation in CIARDS is unambiguously clear to eligible employees?

While the Agency has made every effort to inform employees regarding the standards and qualifications for participation in CIARDS, nonetheless, it will continue to seek improvements in this regard.

The regulation pertaining to CIARDS is widely available to Agency employees. The regular Retirement Information Seminars and the services of retirement counselors in our Retirement Affairs Division continue to be valuable sources of information to employees. A Question and Answer booklet on CIARDS, first published in 1969, has been completely revised and should be published soon. An Agency-wide Notice in June 1977 informed employees of the availability, in their own Career Service Offices, of information on domestic qualifying service.

We believe all these sources of information are helpful to employees in promoting their continuing understanding of the System.

10. In order to assure this Committee that CIARDS is being managed in the most efficient manner, we would expect periodic reports be submitted similar to Mr. Ruddock's. We would also recommend that the CIA Inspector General direct a current survey/study effort in improvements to CIARDS. Do you have any thoughts on this?

We welcome the opportunity to provide the Committee with periodic reports on our administration of CIARDS. The two reports prepared by Mr. Ruddock were sent to the House Armed Services Committee. We assume that in future years the annual report on CIARDS will be sent to the Permanent Select Committee on Intelligence. Insofar as the 1976 and 1977 reports on CIARDS disclose no major areas of abuse, we believe that an Inspector General survey/study is unnecessary at this time. Were major problems to be uncovered, we would request the Inspector General to conduct an appropriate review.

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AGENCY EMPLOYEES CURRENTLY DRAWING
HAZARD PAY DIFFERENTIAL OR ENVIRONMENTAL PAY DIFFERENTIAL
FOR HAZARDOUS DUTY

In response to your query, the following information is submitted concerning the extent to which pay differentials for hazardous duty or duty involving physical hardship, and environmental pay differentials for exposure to hazards, physical hardships and working conditions of an unusually severe nature, are authorized in CIA:

(a) Agency payroll records indicate that nine General Schedule employees are currently drawing a 25% hazard pay differential for performing hazardous duties which is authorized at the rate of compensation prescribed in the Federal Personnel Manual Book 550, Subchapter 59, Appendix A. This Agency complies fully with the criteria prescribed in the FPM in determining the eligibility of these employees for such pay differential; namely, that such duty is performed on an irregular or intermittent basis, and was not taken into account in determining the grade of the position. Operating officials and supervisory personnel are responsible for recognizing duties performed by GS employees for which a hazard pay differential is authorized under Federal pay regulations, and for submitting proposals for payment of such differentials through administrative channels to the Director of Personnel for approval. None of these employees is a participant in CIARDS.

(b) Likewise, our payroll records indicate that nine wage board employees are drawing an environmental pay differential for handling hazardous materials, and seven wage board employees are also drawing an environmental pay differential for performing work which subjects the employees to soil of body or clothing beyond that normally to be expected in performing the duties of their wage classification. Protective devices and clothing either do not alleviate the condition or cannot be used because of health considerations or would result in an unusual degree of discomfort. As with management decisions pertaining to hazard pay differentials for GS employees, the Agency adheres to the

criteria set forth in the Federal Personnel Manual, Supplement 532-1 in determining the eligibility of wage employees for an environmental pay differential. Specifically, the hazards or working conditions of an unusually severe nature to which the employees are exposed are consistent with the categories contained in Appendix J (Schedule of Environmental Differentials) in the FPM, and such exposures were not taken into consideration in the job-grading process. Operating officials and supervisory personnel are responsible for initiating positive action to eliminate or reduce to the lowest level possible all hazards, physical hardships and working conditions of an unusually severe nature; for recognizing the extent to which wage employees are subjected to exposures for which an environmental pay differential is authorized; and for submitting proposals for payment of such differentials through administrative channels to the Director of Personnel for approval. None of these employees is a CIARDS participant.

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26 AUG 1977

MEMORANDUM FOR: Director of Finance

THROUGH : Inspector General

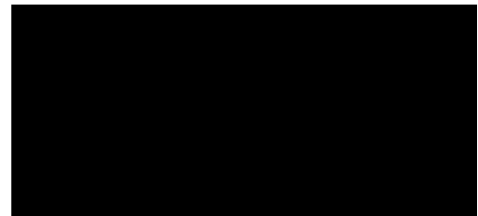
FROM : 
Chief, Audit Staff

SUBJECT : Report of Audit of CIA Retirement and
Disability Fund (U),
1 January 1975 - 31 December 1976

1. (U) Attached is subject report for your review and consideration. Please advise this office of the action taken on the recommendations contained in paragraphs 8, 9, and 11 of the report.

2. (U) We appreciate the cooperation extended the auditors during the audit.

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Attachment

Distribution:

✓Orig - D/Fin
1 - DDA
1 - O/Compt/DCI
1 - O/IG

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REPORT OF AUDIT
CIA Retirement and Disability Fund (U)

For the Period
1 January 1975 - 31 December 1976

GENERAL

1. (U) The CIA Retirement and Disability Fund (Fund) was established in June 1965 to administer the financial aspects of the CIA Retirement and Disability System (CIARDS). The Fund is administered by the Office of Finance. A separate system of accounts is maintained for the Fund, but all cash transactions and the Treasury cash balance available for disbursement are recorded and controlled in a reciprocal account in the Agency system of accounts (Account 3126 - Due to CIA Retirement and Disability System).

SCOPE OF AUDIT

2. (U) Our audit included a review of Fund controls, procedures, and records, a verification of asset and liability accounts and a test examination of Fund receipts and disbursements. It did not include the Office of Personnel procedures for approving participation in CIARDS, an independent confirmation of the investment portfolio, or an evaluation of the actuarial soundness of the fund.

SUMMARY OF FINANCIAL INFORMATION

3. (C) The net worth of the Fund decreased by [REDACTED] during the two year audit period to [REDACTED] at 31 December 1976. At that date CIARDS had [REDACTED] active participants, and 2,436 annuitants and survivors were receiving payments from the Fund. The Fund received an appropriation of [REDACTED] for Fiscal Year 1977. The appropriation is the first for the Fund and is separate from appropriations for Agency operations. Further financial information may be found in the attached financial statements as revised by the auditors.

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SUMMARY COMMENTS

4. (U) Controls, procedures, and records are generally adequate for the safeguarding and utilization of Fund resources. Annuities are accurately computed and paid on a timely basis.

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Recommendations for the strengthening of controls over the annuity payroll, the recording of Federal contributions, and the reconciliation of subsidiary and general ledger accounts are discussed in the following paragraphs.

DETAILED COMMENTS

Annuity Payroll Control (U)

5. (U) There is insufficient control over the process for establishing new annuitants on the monthly Treasury check annuity payroll and for making changes to the pay of established annuitants. Annuitants are established on the payroll, or changes are made to the pay of those already established, by payroll change notices (PCNs) prepared by Retirement Pay Branch (RPB) of Compensation Division. RPB sends the PCNs to the Office of Data Processing (ODP) which uses them in producing a master check tape. The master check tape is used to print the Treasury check payroll.

6. (U) RPB keeps the PCNs in a file prior to batching and sending them to ODP. PCNs establishing new annuitants are reviewed by the Deputy Chief of RPB before being placed in the file. PCNs for other changes are placed directly into the file by RPB personnel without review.

7. (U) The PCN file is not controlled. It is possible to put a PCN establishing an unauthorized annuitant directly into the file without review or to make an unauthorized change to the pay of a previously established annuitant. If such an improper PCN was put into the file and passed to ODP the system would automatically produce a monthly Treasury check.

8. (U) Review and control of PCNs before dispatch to ODP should be strengthened.

Recommendation: Establish procedures for the Chief of RPB to verify authorizing documentation for all PCNs establishing new annuitants or increasing the pay of established annuitants. The PCNs should then be released directly to ODP from the Chief of RPB.

Recording Federal Contributions (U)

9. (U) The CIARDS method of recording Federal contributions from the FY 1977 appropriation did not correspond to the way in

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25X1A which the amounts were recorded on Agency financial records. The Office of Finance determined that the proper procedure for obligating the allotment for CIARDS was on a 1/12 basis each month. At 31 December 1976 the Agency's records showed an obligation of [REDACTED] for the first three months of FY 1977. The funds were not passed to CIARDS until January 1977. As CIARDS financial records are on an accrual basis, they should have recorded a receivable and accrued income of [REDACTED] to match the Agency's records at 31 December 1976. Failure to do so understated CIARDS 1976 income and overstates 1977 income by [REDACTED]

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Recommendation: Record income from Federal contributions on CIARDS records to match the corresponding obligations and liquidations on Agency records.

Errors in General Ledger and
Subsidiary Accounts (U)

10. (U) During the audit period several errors were made in the recording of amortization of discounts and premiums on investments. The subsidiary ledgers for these accounts were not in agreement with the general ledger accounts. Adjusting entries were prepared by the auditors and provided to CIARDS personnel.

11. (U) Reconciliation of the subsidiary ledgers to the general ledger accounts would have disclosed the errors in amortization. Similar problems occurred in the previous audit period, and our 31 December 1974 audit report recommended that the subsidiary ledgers be reconciled at least quarterly to the general ledger accounts.

Recommendation: Reconcile the investment subsidiary ledgers to the general ledger accounts quarterly.

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28 SEP 1977

MEMORANDUM FOR: Chief, Audit Staff

25X1A FROM:

[REDACTED]
Acting Director of Finance

SUBJECT: Audit of CIA Retirement and Disability Fund
1 January 1975 - 31 December 1976

Thank you for the subject audit report and the recommendations for improvements. We are particularly appreciative of your observations regarding system controls on establishing new annuitants. Actions taken are summarized below.

Annuity Payroll Control

We have established internal audit procedures and a copy of CD Instruction Notice 13 is attached. In addition to day-to-day verification, a disinterested Branch or Deputy Branch Chief will perform at least a 10% review each month of all transactions establishing new annuitants and/or increasing annuities for existing annuitants/survivors. These attested reports will remain in Chief, Compensation Division's office until after your audit. July and August transactions have been attested.

Recording Federal Contributions

In the future we will record income for Federal contributions in a manner which will relate income to corresponding obligations and liquidations.

Errors in General Ledger and Subsidiary Accounts

These errors are the direct result of the absence of written procedures regarding liquidation of unamortized discounts and premiums. We are in the process of writing indepth procedures to cover all aspects of the Retirement Pay Branch/Compensation Division. The reconciliation recommended will be an integral part of our procedures.

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[REDACTED]
ADMINISTRATIVE INTERNAL USE ONLY

ADMINISTRATIVE INTERNAL USE ONLY

10 August 1977

INSTRUCTION NO: 13

SUBJECT: CIARDS Payroll System Controls

Effective immediately the Chief, Retirement Pay Branch or in absence of the chief the Deputy Chief will review, initial, and date each payroll change notice, as to attest proper authorization exist prior to updating data into the CIARDS pay system for the following Transaction Codes:

Transaction Code 28

- ° Source documents to establish an annuitant on the payroll must include:
 - SF 1150 from Office of Personnel (OP)
 - Retirement Application from OP
 - Form 3111 - Creditable Service Verification from OP
 - Valid Retirement Card from NOCB or AOB/CD
- ° Source document to record death of an annuitant:
 - Memorandum from OP
- ° Source document to adjust creditable service:
 - Memorandum from OP
- ° Source document to change election of survivor:
 - Memorandum from OP
- ° Source document needed to stop election of survivor:
 - Memorandum from OP

Transaction Code 29

- ° Source documents needed to establish a survivor Annuitant:
 - Memorandum from OP
 - Original Retirement Application

ADMINISTRATIVE INTERNAL USE ONLY

- ° Source document needed to pay lump-sum-payment:
Memorandum from OP

Transaction Code 27.

- ° Source documents needed to establish a disability
Retiree on payroll:

SF 1150 from OP
Retirement Application from OP
Form 3111 - Creditable Service Verification from OP
Valid Retirement Card from NOCB or AOB/CD

- ° Source document needed to change election of survivor:
Memorandum from OP
- ° Source document to stop election for survivor benefits:
Memorandum from OP

Transaction Code 26

- ° Terminate payments to survivor children because of age
and/or non-student status:

Memorandum from OP

- ° Remove one or more child from roll because of age and/or
student status:

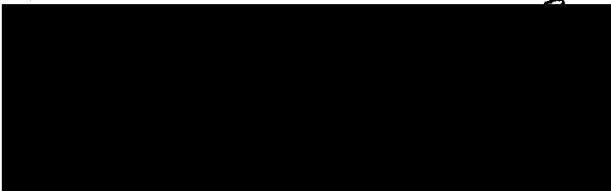
Memorandum from OP

- ° Add one or more child because of student status:

Memorandum from OP

In addition to above guidelines the CIARDS system will provide a report each month, eyes only, to the Chief, Compensation Division of all transactions processed. The Chief or in the absence of the chief the Deputy Chief will take at least a ten percent sample of those transactions establishing new annuitants and/or increasing annuities for existing annuitant/survivors. These reports and written verification as to the review will be retained until after audit.

STATINTL


Chief, Compensation Division